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UNCLAS MAPUTO 000148

SIPDIS

AF/S AND AF/EPS

E FOR ANNE PENCE, EB/IFD/OIA FOR MARTHA KELLEY OR TIM HAUSER

INL/C FOR DAVID LUNA OR JOHN BRANDOLINO

YAOUNDE FOR MALABO JIM PANOS

BRUSSELS FOR USEU

E.O. 12958: N/A

TAGS: [EAID](#) [ECON](#) [EINV](#) [ETRD](#) [PGOV](#) [MZ](#) [KCOR](#)

SUBJECT: MOZAMBIQUE AS PILOT COUNTRY FOR EVIAN

ANTICORRUPTION/TRANSPARENCY INITIATIVE

REF: A. A) SECSTATE 16100

[B](#). B) MAPUTO 83

[1](#)1. Post welcomes the opportunity for consideration as a candidate pilot country under the Evian Anti-corruption/Transparency initiative and submits results of initial internal discussions below. The GRM has demonstrated a commitment to combating corruption and has worked closely with the IMF and the donor community to improve transparency in public financial management and government budgeting and procurement. Inclusion as a non-extractive pilot country would prove a useful and welcome augmentation of GRM efforts already getting underway. The GRM has been responsive to donors and IFIs to concentrate on these issues and understands their importance for consideration under MCA and NEPAD criteria, as well as to Mozambique's continued political and economic development. Direct budget support constitutes over 50 percent of the GRM budget. On the corruption front, some substantive first steps have been taken (reftel B), including the formation of the Attorney General's Anti-Corruption Unit in November 2002, mainly with USG support. USAID mission has followed closely the GRM-IMF strategy for improved financial accountability.

[1](#)2. The GRM Technical Unit for the Reform of Public Financial Management (UTRAFE) is now in the second year of implementation of its action and budget plan, named SISTAFE (Public Financial Administration System). UTRAFE and the Technical Unit for Public Sector Reform (UTRESP) are integral elements of the GRM's Strategic Plan for the Reduction of Absolute Poverty (PARPA). PARPA is the centerpiece of the GRM government budget and includes elements aimed at raising health and education spending above the levels dictated by MCA criteria. Awareness is high among GRM officials of the adverse effects on foreign investment caused by excessive bureaucracy and the corruption climate. The Finance Ministry and UTRAFE are moving from intent to implementation.

[1](#)3. The overall objectives of SISTAFE, as established in October 2002, are as follows: 1) to establish and harmonize rules and procedures for programming, execution, control, and evaluation of public financial resources; 2) to develop subsystems that produce timely and reliable information about the budget execution and asset management in all state organs; 3) to establish, implement and maintain an accounting system controlling budget execution and asset acquisition; and 4) to establish, implement, and maintain an effective and internationally accepted internal control and audit system. The tender for roll-out and operation of all systems is scheduled for April 2004 and implementation of the asset management system is expected in the second half of the year, with general roll-out to all government sectors and municipalities in 2005, and state enterprises in 2006.

[1](#)4. As part of the USAID six-year strategy, Democracy and Governance efforts will include a focus on four to five municipalities to provide USG assistance in increasing capacity for good governance, transparency, and sound financial management, with the target of supporting GRM decentralization efforts. While we recognize more details of the Pilot Country Initiative have yet to be developed, we already see a potential for a pilot program that could work in a few key municipalities to help Mozambique develop the best implementation mechanism for SISTAFE and also complement our six-year development strategy.

[1](#)5. Inclusion of Mozambique as an Evian pilot country would build upon assistance already provided or planned, upon pressure and encouragement from other donors, and upon the SISTAFE program with the IMF.

LA LIME